DOCUMENT RESUME

ED 460 715 JC 990 289

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TITLE	Taylor Business Institute, Report.
INSTITUTION	New York State Office of the Comptroller, Albany. Div. of Management Audit.
REPORT NO	R-98-T-8
PUB DATE	1999-06-14
NOTE	8p.
PUB TYPE	Reports - Research (143)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Accountability; Budgets; *Business Education; Educational Finance; *Financial Audits; *Financial Support; Higher Education; Institutional Evaluation; Program Administration; *Student Financial Aid; Tuition; Two Year Colleges
IDENTIFIERS	Taylor Business Institute NY; Tuition Assistance Program NY

ABSTRACT

The Office of the State Comptroller in New York audited the records and procedures used in administering the Tuition Assistance Program (TAP) at Taylor Business Institute (Taylor) for the academic years 1995-96 through 1997-98. Taylor, located in Manhattan, offers both degree programs and diploma programs in Accounting, Business Management, Executive Administrative Assistant Studies, and Travel & Tour Operations, which are approved by the State Education Department for TAP eligibility. TAP is the largest of the student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs. The Office determined that Taylor was overpaid $30,316 because school officials incorrectly certified eight students as being eligible for TAP awards. The accuracy of the Taylor's TAP certifications was tested for the three years ended June 30, 1998 using a statistical sample of 200 randomly selected awards from the 4,960 awards the school certified. From the statistical sample, five awards were disallowed, totaling $4,679. A statistical projection of these audit disallowances to the entire population using a 95% single-sided confidence level, resulted in an audit disallowance of $27,408. Three other awards, totaling $2,908, were also disallowed based on the review of other awards from outside the sample period . Therefore, the Office of the State Comptroller in New York recommends that HESC recover a total of $30,316, plus applicable interest, from Taylor. (AS)

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Taylor Business Institute, Report 98-T-8

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June 14, 1999

Mr. Richard Mills
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Robert J. Maurer
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: Taylor Business Institute
Report 98-T-8

Dear Mr. Mills and Mr. Maurer:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, Article II, Section 8 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures used in administering the Tuition Assistance Program (TAP) at Taylor Business Institute (Taylor) for the 1995-96 through 1997-98 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the Education Law (Law), we determined that Taylor was overpaid $30,316 because school officials incorrectly certified students as eligible for TAP awards. We tested the accuracy of Taylor's TAP certifications for the three years ended June 30, 1998 using a statistical sample of 200 randomly selected awards of the 4,960 awards the school certified. From our statistical sample, we disallowed five awards totaling $4,679. A statistical projection of these audit disallowances to the entire population using a 95 percent single-sided confidence level, resulted in an audit disallowance of $27,408. We also disallowed three awards

totaling $2,908 based on our review of other awards from outside the sample period. Therefore, we recommend that HESC recover a total of $30,316 plus applicable interest from Taylor.

Background

Taylor, located in Manhattan, is a subsidiary of the International Educational Corporation which acquired Taylor in the Fall of 1998. Taylor offers both degree programs and diploma programs in Accounting, Business Management, Executive Administrative Assistant Studies and Travel & Tour Operations which are approved by the State Education Department (SED) for TAP eligibility.

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs.

Draft copies of this report were sent to HESC, SED and Taylor officials for their review and comment. These officials are in agreement with the findings and we have considered their comments in preparing this report.

Audit Scope

The objective of our financial and compliance audit was to determine whether Taylor management complied with the Law and the Commissioner of Education's Rules and Regulations (Regulations) for certifying students as eligible for TAP. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

According to HESC's records, Taylor officials certified 4,960 TAP awards totaling $5,542,465 paid on behalf of 1,553 students during the three academic years ended June 30, 1998. We reviewed a statistical sample of 200 randomly selected awards totaling $218,498 paid during that period. We also reviewed other awards that came to our attention during the audit.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of Taylor which are included within our audit scope. These standards also require that we review and report on Taylor's internal control system and its compliance with those laws, rules and regulations that are relevant to Taylor's operations and are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and doing our audit of Taylor, we reviewed management's internal control system. Our audit was limited to a preliminary review of the internal control system to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for students' financial aid.

Taylor's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Taylor's compliance with certain provisions of the Law and the Regulations. Our objective in performing these tests was to obtain reasonable assurance that the TAP awards Taylor received were for eligible students. Our objective was not to provide an opinion on Taylor's overall compliance with the Laws and Regulations.

The results of our tests indicate that, with respect to the items tested, Taylor was generally in compliance with the provisions of the Law and Regulations relating to students' TAP eligibility, except as noted in the following section of this report.

Audit Disallowances

The following table summarizes the disallowances that resulted from our audit.

Reason for Disallowance	Number of Awards	Amount	Total
Disallowances from the Statistical Sample:			
Students Not in Good Academic Standing	2	$2,425	
Students Not Matriculated	2	1,629	
Overcertification of Tuition	1	625	
Total Sample Disallowances	5	$4,679	
Projected Amount			$27,408
Disallowances from Outside the Statistical Sample Period:			
Student Not in Good Academic Standing	2	$1,716	
Student Not in Full-Time Attendance	1	1,192	
Total Disallowances from Outside the Sample	3		2,908
Total Audit Disallowance			$30,316

The various types of disallowances are discussed in the following sections of this report. The students' names and related information were provided to Taylor officials separately.

Students Not in Good Academic Standing

Criteria - Section 665 of the Law requires that students be in good academic standing to be eligible to receive TAP awards. Section 145-2.2 of the Regulations states that to maintain good academic standing a student must maintain satisfactory academic progress toward completion of a program and pursue the program of study in which he or she is enrolled. To maintain satisfactory academic progress, a student must accrue at least a certain number of credits and earn at least a certain cumulative grade point average as required in the college's published satisfactory academic progress chart approved by SED. A student is pursuing the approved program of study if, during each term of study for which an award is received, the student receives a passing or failing grade in a predetermined percentage of the minimum full-time course load based on the student's TAP payment level.

When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. Students can regain good academic standing by making up the deficiencies at their own expense, obtaining a TAP waiver, remaining out of school for at least one calendar year or transferring to another institution.

Audit Determination - We identified four awards paid to two students who failed to maintain good academic standing. Both students did not receive passing or failing grades in the required number of courses to meet the pursuit of a program requirement. Therefore, these students were not eligible for the awards they received.

School Officials' Position - School officials agree with these findings.

Students Not Matriculated

Criteria - Section 661 of the Law states that a student must be matriculated in an approved program to be eligible to receive TAP. Section 52.2 of the Regulations states, "the admission of a student shall be determined through an orderly process using published criteria which shall be uniformly applied." Also, Section 145-2.4 of the Regulations states: "A student shall be considered in matriculated status if:

1) The student has filed a written application for enrollment at the institution for the purpose of earning a degree, diploma or certificate; and

2) In accepting the student's application for enrollment, the institution has taken into account the capacity of the student to undertake a course of study and its own capacity to provide instructional and other support the student needs to complete the program."

This regulation is met when entering students satisfy the school's admission criteria as published in its catalog. To be considered for admission to Taylor a student must have a high school diploma or equivalent.

Audit Determination - We found that Taylor officials certified TAP awards for two students who were not properly matriculated. One TAP award was paid on behalf of a student whose high school transcript showed that she had been discharged from high school prior to graduation. The other award was paid on behalf of a student who had neither graduated from high school nor passed the GED exam.

School Officials' Position - School officials agree with these findings.

Student Not in Full-Time Attendance

Criteria - Section 661 of the Law requires that students be in full-time attendance to be eligible for TAP. Section 145-2.1 of the Regulations states, in part, that for a degree-granting school, full-time study is defined as enrollment for at least 12 hours a semester for a semester of 15 weeks or its equivalent.

Audit Determination - Taylor officials certified one TAP award on behalf of a student who was not in attendance at Taylor during the term for which the TAP award was paid.

School Officials' Position - School officials agree with this finding.

Overcertification of Tuition

Criteria - Section 665(3)(a) of the Law requires that institutions accurately report to HESC the tuition they charge each student so that HESC can accurately determine the amount of the student's TAP award.

Audit Determination - We identified one student who withdrew from all of his courses during the third week of the term and was refunded 70 percent of his tuition for the term. However, we found that Taylor officials certified the full tuition amount to HESC. As a result, the student's TAP award for that term was $625 more than he was entitled to.

School Officials' Position - School officials agree with this finding.

Recommendations to the Higher Education Services Corporation

1. *Recover the $30,316 plus applicable interest from Taylor Business Institute for its incorrect TAP certifications.*

2. *Ensure that Taylor Business Institute reports the appropriate student tuition when certifying students for TAP awards.*

Recommendation to the State Education Department

Ensure that Taylor Business Institute complies with SED regulations as stated in this report.

Major contributors to this report were Frank Russo, Kenneth I. Shulman, Lu Pham, Peter Chin, Bebe Belkin and Don Collins.

We wish to express our appreciation to the management and staff of Taylor Business Institute for the courtesies and cooperation extended to our auditors during this audit.

Yours truly,

Jerry Barber
Audit Director

cc: James Morrissey
Charles O. Conaway